The Francis Forum

Fall Edition 2018

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INSIDE THIS ISSUE

Here comes the Winter…

I always get a good chuckle when I look back on my life and see how far we've come over the years and yet the more things change the more they stay the same. Seasons are a great example of how predictable life can be at times and though we can try to believe that summer will last forever, inevitably the fall will come followed by the winter and then….you guessed it, spring. The same can be said for the financial markets over time. We all have been told that over time equities (stocks), have outperformed bonds, G.I.C's and cash pre-inflation by a minimum of 2 to 1 and when we take inflation into account the outperformance becomes 4 to 1 historically. If you have no idea what I am talking about we need to meet or speak to review this concept.

So where are we today? Over the last 10 years, equities have outperformed bonds, G.I.C's and other fixed income investments by a wide margin and thus we have seen an incredible amount of money being invested into equity based securities. We realize that true wealth is created over time by investing in equities, (public and private) yet with the recent pullback in the (public) financial markets over the months of September and October, you may be feeling a little uneasy and second guessing your investment strategy. By using our 'seasons' logic, the question remains, is this time going to be any different? Will the decline in the equity markets be permanent? Should we be buying bonds or G.I.C's now? Will winter not come this year? Highly unlikely!

As we are all investors, I believe we all have five things in common; We want to preserve our capital, We want to grow that capital at an above average rate of return, We want to generate an income when require it, We want to provide liquidity for emergencies and opportunities and we want to minimize taxes. Turbulent times can make us all take a step back and revisit our tolerance to the volatility in the markets today. I believe in times like these it is important go back to the basics and ensure that we understand why we do what we do and where we are going in our mid to long term plans. Here are 8 eternal truths about investing for us to remember in times like these.

- Investments go up……and down
- Most people do the wrong thing at the wrong time
- Markets usually over-react
- No one knows what the future will bring(…ie; market timing does not consistently work)
- Diversification is the best strategy
- Savings accounts and GIC's will not make you wealthy
- Uncertainty creates opportunity.
- Never say never

Sticking to our comprehensive financial plans and being diversified through these times and not chasing after returns or safety is the true formula for success.

As Warren Buffet so astutely said "Be fearful when others are greedy and greedy when others are fearful" and with the recent market pullback, we have the opportunity to purchase the highest quality both **public** and **private** securities at a discount. We should be ecstatic about this as we look to continue to create intergenerational wealth for our families.

In closing, please enjoy the fall and winter months. We look forward to hopefully seeing you at our informative evening seminar series and special events we will be having until the end of the year. My website indicates the topics and times well in advance of the presentation. As always, we are open to suggestions and feedback on how we can increase the level of value we bring to you, our client. We never forget the trust you place in us as stewards of your capital.

Our behavior today will determine our history tomorrow!!

Sincerely,

Duane

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Create Wealth, Achieve Freedom

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Why you should plan ahead for holiday spending

In about five seconds, all of the Halloween costumes and decor will be whisked off to the clearance aisle and stores will become one big explosion of red and green. Wasn't it just summer?

The holidays sneak up on us faster than the sudden emergence of pumpkin spice in September so it's important to start planning for them now.

Nearly three-quarters of Americans say they fail to budget properly for the holidays.

And for a lot of people, this means going into debt. Consumers who went into debt last holiday season racked up $1,054 in new debt on average.

The majority of this overspending is due to gifts. While it's nice to give, most of the people you love wouldn't want you to go into debt because of them.

Here are a few tips to prepare for the holiday season so that you can close out 2018 with some financial success instead of money stress.

1) Start saving early.

The average American spends nearly $1,000 on holiday shopping. For most people, that's a significant chunk -- if not all -- of what's left over after you pay your monthly bills. That means, if you wait until December to start shopping you are much more likely to spend money you don't have.

Instead, start saving now. Set up a separate savings account specifically for your holiday fund. That way you won't be tempted to spend it on something else. Saving $333/month over three months is a lot more achievable than coming up with $1,000 on the spot.

To make saving as easy as possible, set up automatic transfers on the day you get paid. That way, your money will be transferred to your holiday savings account before you even have the chance to spend it on something else.

2) Avoid the last minute scramble.

When people overspend on gifts it's usually because they are strapped for time. Don't be the guy running around the mall with bags full of cable knit sweaters and peppermint bubble bath. When you wait until the last minute, finding a meaningful gift at an affordable price is pretty much impossible.

To avoid spending twice as much for a half as good gift, open the notepad on your phone right now and list each person you need to buy a gift for and how much you'd like to spend on them.

As you think of perfect gift ideas, jot them down. In fact, start buying gifts as you come across them. By planning ahead, you're much more likely to find deals on items that the people in your life will really love.

3) Budget for self-gifting.

Nearly a quarter of adults say they usually buy themselves gifts over the holidays. This can be good or bad depending on how you approach it so "treat yourself" with caution.

If you usually end up buying random items just because they're on sale, then you are falling victim to the retail industry's tactics to get you to spend more. Just because something is on sale doesn't mean it's going to make you happy or be worth what you spent.

Combat temptation by first acknowledging that retailers are actively trying to tempt you when you are shopping. Then, plan to self-gift the smart way.

Keep a list for yourself where you write down items that you really want or need. Then when holiday sales come around, use the list to guide your purchases.

Waiting to buy items at a much lower price point that you were planning on purchasing anyway is a really smart money move. Going into debt for a bunch of impulse purchases definitely is not.

https://www.forbes.com/sites/danipascarella/2018/10/04/why-you-should-plan-ahead-for-holiday-spending/#645029e62163

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8 Financial New Year's Resolutions for 2018

The beginning of a new year is the most popular time to set goals and make plans, and everyone's resolution list should include a few financial resolutions.

Resolutions, like goals, are best when they're specific. When you set a resolution or a goal, think of it as picking destinations on a road trip: If you just say you want to head west, you're probably going to waste a lot of time and fuel getting there; however, if you say you want to go to San Diego, CA, you're going to get there faster and more efficiently.

If getting your financial life in order is a resolution for you this year, here are eight very specific things you can do to help you get there faster:

1) Save 15% of your gross income.

Most people say they want to save more, but don't know how much they should save or where they should save it. At the Financial Gym, the first goal our client's get is a savings goal and we start with 15% of their gross monthly income. If you make $60,000 a year or $5,000 a month, your savings goal is $750 per month. Many of our clients panic when they see their savings goals, but it's just because it's not something they've tried to do before.

The best way to stay successful and continuously achieve this goal is to set up an automatic transfer from your checking account to your savings account for this amount every month. If you need the money to pay bills, you can always transfer it back, but challenge yourself to live off of what's left after your automatic transfers happen. It's a sneaky way to save, and works for 90% of our clients.

2) Monitor your credit score quarterly.

The recent Equifax information leak should keep everyone on their toes about monitoring their credit. You can freeze your credit or try other monitoring services, or you can easily and cheaply monitor it yourself. I tell clients to set a calendar reminder for every two to three months to review their credit score for any changes of activity.

If you have credit cards with American Express, Discover, Bank of America and others, you can check your FICO score for free at any point. There are also great sites like Credit Sesame or Credit Karma that allow you to check your credit scores for free whenever you'd like. The sooner you uncover any problems with your credit, the easier they are to fix, so it's important to make this a regular part of your financial health routine.

3) Invest monthly.

Just like you should save regularly, you should set up a regular process by which you invest your money. Money sitting in a bank account is earning less than 1% and inflation is 2-3% which means that every day your money sits in a bank account, it loses 1-2% of its value. You don't need a lot of money to start investing as there are apps that will let you invest with just five dollars or less; and they make it easy for you to automate. If you want to start investing outside of your retirement account, there are apps like Acorns, Stash Invest and Betterment that help you automate you're investing and set up a regular schedule.

If you've funded your emergency savings and you feel prepared for your near term goals, then you should take advantage of retirement savings options you may have through your work like 401ks or 403bs or on your own like IRAs or Roth IRAs. If it's through your company, you can automate your investing easily through payroll deductions or you can also automate through investment sites like Betterment or Wealth front for individual retirement accounts.

4) Create a debt plan.

If debt has been a constant problem for you, make 2018 the year that you start to tackle it head on. Paying down debt is like climbing a mountain, it's going to take time and strategy and the only way to get to the top is to start climbing. The first step of your plan is figuring out the total debt you have, the type of debt you have and what the interest rates are on your debts. I suggest putting all of this in a spreadsheet, and I'll warn you that this is a scary activity for many of our clients. It's like stepping on the scale when you know you've had too much to eat; however, it's critical in creating your plan to get rid of it. I suggest drinking a glass or two of wine before you discover your grand debt total.

After you've figured out your interest rates, look for ways to consolidate your debt or lower your interest rates either through 0% balance transfer credit cards, personal loans or student loan refinance options. Once you have all of the debt and interest rates set, then pick the best repayment strategy for you. Some people like using the debt snowball method where you pay the smallest debts off first while others like the debt avalanche where you pay the highest interest rate debt first. I prefer the debt avalanche; however, I really prefer whatever is going to motivate my client the most in their debt repayment journey, so pick what's best for you

5) Track expenses daily.

I used to weigh over 200 pounds and I finally started to lose weight when I began the Weight Watchers program. For me, the best part of the program was that it forced me to track the food I was eating. The process of tracking everything made me mindful of my eating and led me to start making more changes. You can do the same thing with your money. There are a number of free apps like Expenses OK or Spending Tracker that can help you with expense tracking or I have clients who simply put it all in an excel spreadsheet every day. The best part about expense tracking is that it will make you more mindful of your money and force you to start to think about how you spend it.

6) Try a monthly savings challenge.

I truly believe that anyone can do anything for a month, so I suggest that you try one of the numerous monthly financial savings challenges that are out there for at least January or maybe try another one in February. My good friend runs an Uber Frugal Challenge every January that has changed lives, or you can just search for savings challenges and find your options on Pinterest or personal finance blogs.

7) Go on a cash diet.

I don't know about you, but after the holidays, I need to eat more salads and less junk food and drink more water and less alcohol. If you spent a bunch of money on your friends and family this holiday season and you're credit cards have a little extra meat on them, then I suggest you try a cash diet for the next few weeks or months. Limit yourself to a certain amount of money every week, (typically around $50-$100) and see if you can live off of just that amount every week. Mindfulness of your money is a large component to getting financially healthy, and nothing will make you more mindful of your money than cash.

I advise clients to go on cash diets all the time as there is neurological research that has proven that when we swipe debit and credit cards, we literally shut our brains down and we don't process what's happening. When you use cash, you're forced to keep your brain engaged whether it's counting the money to pay it out or realizing that you're about to run out of it and have to change your plans. Cash diets are great ways to keep your spending under control and increase your money mindfulness.

8) Schedule Weekly Financial Exercises

This time of year, most of the regular gyms will be filled with people exercising to get back into shape after the holidays, and just like there's physical exercises for our bodies, there are financial exercises for our balance sheets. I've shared some of my favorite's here, and just like you'd schedule time in your calendar to exercise your body, schedule time in your calendar to exercise your financial health as well. For the best results, I suggest trying a financial exercise two to three times a week on a regular basis.

https://www.forbes.com/sites/shannonmclay/2018/01/02/8-financial-new-years-resolutions-for-2018/#6027dd2b75b9

Money 101 for Millennials: Seven Tips for Improving Your Financial Literacy

When young adults become fully responsible for their personal finances for the first time, they're often in for a rude awakening. Financial literacy is rarely taught in school, and if their families didn't discuss credit scores, taxes and interest rates as they were growing up, these newly-minted members of the "real world" can easily get themselves into debt and other financial trouble.

Most millennials are now in their 20s and 30s -- the time when many people make major financial decisions, like home ownership and long-term investment strategies. If you're part of this generation and feel undereducated about your finances, follow this advice from members of Forbes Finance Council.

1. Take online courses.

Given millennials' propensity for technology, I would suggest they take a few courses in basic economics, accounting and capital markets from the likes of Coursera, Udemy or similar providers. The courses are affordable, well delivered and even fun. In my opinion, they constitute the most efficient way to get updated on whatever topics you are interested in, including finance. - Gabriel Grego, Quintessential Capital

2. List out your expenses.

Millennials are quite bright; they simply don't have the experience. Right away, I recommend they make a list of everything they spend money on each month. Enlist their parents in this endeavor if possible. After the amounts are added up, they should ask themselves this question: How do I pay for all of this? This is the first step to improving financial literacy. - Amir Eyal, Mylestone Plans LLC

3. Investigate passive income opportunities.

Unfortunately, there is no proper financial education in schools, colleges or universities. Many parents fail in this area, as well. Most people work for money all their lives, however, it is possible to learn how the money that you earn can work for you so you eventually can replace your “job” income with passive income from your investments. - Dmitriy Fomichenko, Sense Financial Services LLC

4. Understand the impact of your credit score.

Millennials looking to become entrepreneurs need to understand that their personal credit might be the defining factor in their ability to access working capital. Getting approved for funding is challenging when the borrower’s credit score is low. It is important that they learn how to read a credit report, remain aware of their credit score and understand the factors that affect it. - Ben Gold, Quick Bridge Funding.

5. Talk to a trusted mentor.

There is a plethora of information available on the internet to support a self-help approach. However, picking the brain of someone you know and trust is far superior. Their most relevant insights are often tailored to your specific needs. Find someone who you could consider a mentor, and bounce questions or thoughts off of them. - Ross Garcia, PREI Capital Group & Divorce Mortgage Advisors

Forbes Finance Council is an invitation-only organization for executives in successful accounting, financial planning and wealth management firms. Do I qualify?

6. Track everything to get your whole financial picture.

There are four basic things everyone should know about their finances: income, expenses, assets and liabilities. Companies manage their cash flow, and individuals should, too. There are tools that connect your bank, credit card and other accounts to help you make sense of your finances -- many of them free of charge. Mint, Quicken, Personal Capital are just some of the more popular ones. - Atish Davda, EquityZen

7. Start saving.

If millennials get into the habit of saving money, they will look for means to either invest or spend savings on something they always wanted. With today's availability of information, and millennials being so used to Googling, they will start learning about various financial products. Also, they should not be afraid of making mistakes and losing some savings, as that will enrich their experience.

https://www.forbes.com/sites/forbesfinancecouncil/2018/03/28/money-101-for-millennials-seven-tips-for-improving-your-financial-literacy/#198b026a62f7

An RESP under the Tree

It's that time of year when parents, grandparents—even aunts and uncles are all in search of it.

By 'it' we're talking about the perfect holiday gift for the child on your list.

But before you make a mad dash to the mall for the latest toy or gaming console, may we suggest something with far more staying power that will lessen their financial stress when they're ready to head off to college or university…We're talking about a Registered Education Savings Plan of course.

Okay, so an RESP might not have that immediate 'wow factor' on Christmas morning. But be patient. The wow factor, while being delayed, will definitely kick in. Because, as they get older and the cost of post-secondary education gets costlier. It will be the gift they will eventually wrap their arms around you, and massively thank you for—because you will have lightened a financial burden that many Canadian students find themselves taking on in order to pursue higher education. Putting the high costs of higher education into perspective.

Now, just in case you need some convincing as to whether an RESP is indeed the perfect holiday gift, how about a little context?

Post-secondary education isn't cheap—and that's an understatement.

According to the Canadian Federation of Students (CFS), those requiring a Canada Student Loan (to cover the cost of tuition) graduate with an average debt of $28,000. Those are the students that completed their undergraduate degree in the last year and had no form of post-secondary savings (such as an RESP) to fall back on. Factor in that (according to the latest Statistics Canada study) the cost of attending a Canadian university rose by 3.2% over last year (making the average tuition in Canada $6,191 for the 2015/16 school year) and you've got a whole new generation of students that will be incurring even more student loan debt with each passing year.

Hence the increasing importance of putting money away for tomorrow's tuition costs, today. Actuarial reports of the Canada Student Loan Program predict that student financial needs will continue to rise, which will drive up the amount of student loans required to pay for post-secondary education. The federal government predicts tuition fees will rise at a rate of 2.5% above inflation annually over the next 25 years. At this rate, it is expected that fees will increase from an average of $6,191 this year, to $19,900 in 2035-36.

So yeah… an RESP is looking like a pretty smart gift option right about now, don't you think?

Plus an RESP has a few perks—which truly makes it the gift that keeps on giving…

It's tax-sheltered: Contribute up to $50,000 per child. The investment will then grow, sheltered from tax (similar to an RRSP). When the money is withdrawn, the CESG money and earned investment income is taxed in the hands of the child, at the child's tax rate, possibly zero in some cases.

Plus the government will chip in 20%: Because seriously, who doesn't like FREE money?! Thanks to the CESG (Canada Education Savings Grant) you'll receive an additional 20% of your RESP investment on the first $2,500 per year (which equals $500 annually up to a lifetime maximum $7,200 per child).

Haven't been contributing to an RESP and missing out on all that CESG? No problem.

You can play 'catch up'—but only up to a certain point. Unused CESG room automatically builds from the year your child/grandchild is born and is carried forward to the year they turn 17 (the final year they qualify). Keep in mind that the maximum CESG that can be received annually per child when you're playing catch-up on RESP contributions is $1,000. So if the child on your gift list is 10 years old this year, you may want to pay extra attention to the upcoming December 31st deadline in order to maximize your CESG benefit, since it'll take roughly 7 years to catch up on the maximum $7,200 in free CESG money (that is if you max out your enhanced RESP catch-up contributions at $5,000 a year for the next 7 years).

Last but definitely not least, if your child/grandchild turned 15 this year and doesn't yet have an RESP, no CESG money can be claimed in the remaining two years of eligibility (meaning 2017 and 2018) unless $2,000 is contributed to an RESP by the end of THIS year (which means you better get on that RESP before the December 31stdeadline in order to benefit from the CESG).What happens if your child/grandchild decides not to pursue post-secondary education?

No worries. You need not close the RESP until the 36th year of the plan. This gives your child plenty of time to pursue higher education. If not, you simply close the RESP and return the CESG portion to the government. The contributions are returned to you tax-free and the income earned can be rolled into your (or your spouse's) RRSP, provided there is contribution room. If no RRSP room exists, the earned income is then taxed at your marginal tax rate, plus an additional 20%.An RESP gift from you = a legacy that will last a lifetime.

Far more valuable than any toy or video game you could ever give your child/grandchild (not to mention WAY more appealing than an ugly Christmas sweater)—an RESP is a gift that invests in the future of your family legacy. As far as holiday gifts go, it doesn't get any better than that!

https://www.educatorsfinancialgroup.ca/learning-centre/resp-tree/

Fall Activities

Ottawa Wine and Food Festival
November 3rd – 5th
http://www.ottawawineandfoodshow.com/

Remembrance Day Ceremonies
November 11th
http://www.legion.ca/

Red Blacks last game of the year
November 2nd
https://www.ottawaredblacks.com/

Christmas lights Parliament
December 5th
https://www.ottawatourism.ca/events/christmas-lights-across-canada-official-illumination-ceremony/

Upcoming Events:

Client Seminar:
Michael Lee-Chin
November 27th 6:30pm

Children's Christmas Party
Canadian Science and Technology Museum
Saturday, December 9th 1pm-4pm